

Huami Corporation (HMI) Fireside Chat Transcript

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Company Participants

Brad Samson	VP Investor Relations
Grace Zhang	Investor Relations East
Wang Huang	Chairman and CEO
Leon Deng	CFO
Mike Yeung	COO

Operator

Hello ladies and gentlemen. Thank you for standing by for Huami's 2021 Strategy and Outlook Investor Fireside Chat Conference Call. At this time, all participants are in listen-only mode. Today's conference call is being recorded. I will now turn the call over to your host, Ms. Grace Zhang, Director of Investor Relations for the Company. Please go ahead, Grace.

Grace Zhang:

Hello everyone and welcome to Huami's 2021 Strategy and Outlook Investor Fireside Chat. We hope you find it informative. Participating in today's call are Mr. Wang Huang, our Chairman of the Board of Directors and Chief Executive Officer; Mr. Leon Deng, our Chief Financial Officer; and Mr. Mike Yeung, our Chief Operating Officer. Management will begin with prepared remarks, and the call will conclude with a Q&A Session.

Before we continue, please note that today's discussion will contain forward looking statements made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the Company's actual results may be materially different from the views expressed today. Further information regarding these and other risks and uncertainties is included in the Company's annual report on Form 20-F for the fiscal year ended December 31, 2019 and other filings as filed with the U.S. Securities and Exchange Commission. The Company does not assume any obligation to update any forward-looking statements except as required under applicable law.

I will now turn the call over to our CEO, Mr. Wang Huang. Please go ahead.

Wang Huang

Thank you, Grace.

Good day, everyone, whether it's morning or evening where you are. Thank you for joining our first fireside chat of 2021.

My objective today is to tell you about how our strategy for 2021 is evolving, and set the tone for the year. I have some remarks to make, and then we will be happy to answer questions.

With me on the call today are Leon Deng, our new CFO who joined October 1, and Mike Yeung, our COO, who is based in the U.S.

Let's get started.

As you probably know, we have a significant position in the global smart health device market - number 2 in the world by IDC's shipments data, driven by a number of unique strengths, but Huami is a still bit unknown to the broader investment community.

With these fireside chats, I want to communicate more proactively and clarify our position and strategy, so that investors can make more informed evaluations of our potential. I want to focus today on how our strategy is evolving this year and 3 key drivers of our business, consumer health tech, data analytics and our newest industrial health strategy.

CES, the Consumer Electronics Show, just finished last week. Although it was virtual this year, we felt it was a good show for us. We were able to highlight all of the large number of new products we have at present and provide some hints at what may come the rest of this year.

I was especially pleased to see that several of our newest products made "best in show" lists, from a number of industry watchers, including Wearable, Tech Radar, Digital Trends, and Gadgets & Wearables. Even before CES, CNET awarded the new Bip S its Editor's Choice. The Bip series represents market leading functionality at a value price point, and our GT series represents excellent functionality at the premium end of the market. We are very proud to have both of these products recognized.

I think that recognition is a direct result of one of Huami's key business strengths, our pace of innovation. We introduce new products and new models of products, I think, faster than anyone else in the wearables space.

Last calendar year, we launched 20 new products or product models. Keeping the product offerings fresh and updating with market-leading features, technology and prices has been the key to our success.

For example, we shipped three different versions of the Bip product last year, each with increasing functionality and upgrades.

A key part of our 2021 strategy will be to continue our rapid pace of innovation, although not at last year's record pace. You should expect us to continue to push better wearable technology to lower price points, and to add new innovations with new functionality and features to the top of the Zepp and Amazfit lines.

In 2020, we also expanded beyond just smart watches into ear buds, scales and even home fitness equipment such as our first treadmill and mirror. New models of these new lines were showcased at CES.

For obvious competitive reasons, I am not going to pre-announce anything, but you should expect to see Huami continue to expand our range of products in 2021. This is part of expanding our smart health and wellness ecosystem.

Another key strength is that we design and build our own AI smart chip for our devices, as well as our own sensor array and related algorithms. This gives us not only a cost advantage, it gives us a time-to-market speed with new functionality. We can design functionality ahead in our chips and sensors, which gives us greater speed to market with new tools for consumers and health sponsors. This year, the new Huangshan 2 AI chip that we developed will start appearing in new devices. The new chip will give our products greater speed, intelligence, functionality and battery life.

Shifting to the data analytics side of our business, you've seen recent news from us highlighting some good progress in 2020 for Pai Health and our data analytics strategy. In Mid-December, U.S.-based re-insurance company Gen Re announced the results of a study using Pai Health analytics for insurance underwriting decisions. Their report concluded that Pai Health analytics provided additional value beyond traditional tools for underwriting. This gives our marketing efforts for Pai Health a significant boost going into 2021.

Insurance companies move at a careful pace, but 2020 represented a challenging year for insurers, changing and distracting from normal business investments and strategies. We are expecting a better climate in 2021 for insurer discussions, and I am expecting more progress in putting our data analytics to work with industry, to leverage data from our more than 30 million active users.

Adding to this, Huami was recently granted license to sell insurance in China, which we believe could open up some new partnership revenue opportunities with insurers in China.

Note, also, that data analytics is a key part of expanding our smart health ecosystem. Being able to tie insurers, care and wellness providers, employers, individuals and families together to improve health remains one of our main goals. We will be working to add services and linkages to further expand our ecosystem in 2021.

The third key thing I want to highlight today is our new industrial healthcare strategy. While the consumer health technology business will continue to be a profitable backbone for Huami, we are setting out to build another growth pillar for the business, which will have different and less seasonality than the consumer side.

Huami's mission is to connect health with technology, which leaves us wide latitude for how to deliver on that mission. Our company's engineering has focused on miniaturization and health data analytics. I believe the medical imaging space is a place where our expertise can be further applied.

Equally important, this is an area of healthcare that is due for some disruption. For example, in the U.S., the healthcare system's payment structure has created significant overuse of imaging, driving up healthcare costs. In other markets, the cost of large, expensive imaging systems has prevented wider applications for patients and clinicians.

A number of new technologies in x-ray, MRI and ultrasound show promise to change the locations, applications and costs of medical imaging globally.

In recent months, you have seen announcements about Huami partnering with Aspen State Imaging, which is pioneering portable x-ray systems. Last week, you saw that we led Promaxo's latest investment round along with a commercial partnership agreement. Promaxo is pioneering low field strength MRI technology for the doctor's office with an initial focus on urology.

We expect to develop a portfolio approach, with multiple technologies, applications and partners.

There are many ways Huami can enhance its revenue through these partnerships.

In the near term, we can generate new revenues by helping sell these products in China and other global markets. As part of this, we expect to help these partners receive approval from the National Medical Products Administration, China's FDA.

Through engineering partnership, our AI and algorithm intellectual property may add supplemental revenue opportunities to current or future products of either company.

We will explore ways to tie imaging devices into our health ecosystem, which could help generate services or data analytics revenues.

We will explore ways to tie imaging or related patient pre or post treatment activity or monitoring to our smart consumer devices, which could generate revenue. And, as part owners of some of these companies, we stand to benefit from future value creation events.

This is a long-term developing area for Huawei. But we are excited about the opportunities it presents for supplemental revenue growth, expanding our ecosystem into the industrial side of healthcare, and developing our brand in the healthcare industry.

I hope this has been a good overview for you of how our strategies for growth in our three main areas are evolving for 2021. I promise, we have some good surprises to come on the consumer side, as we continue to drive innovation.

I am hopeful that insurers will get back to more normal business operations this year that can move dialog forward on our data analytics business. And, we are very enthusiastic about the new opportunities to participate in disrupting medical imaging processes and costs.

We are going to open the lines up now for questions.